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Editorial

Cooperatives and cooperative behavior in the context of family businesses

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ABSTRACT

Acknowledging that cooperatives and cooperative behavior play an important role in the context of family businesses, we introduce and tease out the implications of articles that were selected for publication for a special issue dedicated to this topic. The collection of articles represents a broad range of philosophical underpinnings, national context, and methods. Overall, the research articles included in this collection suggest that family businesses are better at cooperating, and better at governing cooperative activity. The short communication piece offers several areas of intersection between family businesses and cooperatives-including the investigation of development of solidarity among members, curbing "politicking" in the context of developing a democracy among people with varying degree of talent and ability, and retaining/motivating unique and highly productive members. The "Practitioner's Corner" article reinforces many of these themes, along with providing an example of how family businesses, consistent with their values, can collectively be a force for social change.

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Cooperative behavior creates and leverages resources, and ensures firm survival, as well as superior firm performance through joint efforts that cannot be realized individually. Family firms are considered better at developing and maintaining high quality relationships with their partners stakeholders over time (Miller & Le Breton-Miller, 2015; Arregle, Hitt, Sirmon, & Very, 2007). Family firms can benefit from incorporating cooperation in their strategic and behavioral repertoire. Cooperative values and principles are relevant for family businesses, and could guide family firms in their cooperation efforts (Goel, 2013). Cooperatives on the other hand are found to be better at managing the tangible costs of cooperation (Cadot, 2015). To focus attention on cooperation in the context of family businesses and cooperatives, and to provide a forum where scholars in each field can explore how they can benefit from each other, the International Family Enterprise Research Academy (IFERA) devoted its 2014 Annual Conference in Lappeenranta, Finland, to the theme of Cooperation within and amongst Family Businesses. The collection of articles that were selected for this special issue explore the idiosyncrasies of family firm cooperation, advance our general understanding of cooperation, and thus contribute to the advancement of both fields of cooperation and family firm research.

Hatak and Hyslop. Hatak and Hyslop's (2015) study of cooperation among family firms of very different sizes is relevant and interesting because it challenges received wisdom of selfishness and opportunism embedded in business relationships. Their case study illustrates how family firms of different size successfully overcome power considerations in their collaboration and exhibit remarkable forbearance and pro-social behavior, consistent with a long-term orientation that is considered a typical characteristic of family firms (Kappes & Schmid, 2013). In particular, the cooperation continues to be successful because the family firm cooperation partners show strong similarities in terms of history, mission, and values, besides their matching economic interests. Their shared family firm context creates a stable space for the performance-relevant exploitation of trust-based cooperative behavior and curbs tendencies of individual opportunism, use of unilateral power, and degeneration of the collaboration into win–lose solutions among the cooperating family firms. Their case study shows that future research should focus on the values and motivations of specific cooperation partners, rather than pre-assuming "negative behavior" based on asymmetric structures. This is because cooperative parties may bring a long-term orientation to the cooperation, and may exhibit behavior consistent with their values that may facilitate the development of a reputation for building trust-based long-term relationships (Dyer & Singh, 1998).

Hogeland. Hogeland's (2015) article takes a historical perspective on the development of co-operatives in the US, and in particular, how the "family" was used as a metaphor to unite individual producers in a way that seems to have reduced their cost of co-operation and preserved their independence. This was done by positing the co-operative as a family of producers, and a buffer between an inevitable evolution to corporation-owned farms, with farmers being employees, or "serfs." If we preserve this metaphor, and extend it further, perhaps co-operative researchers can further explore the extent to which this metaphor is adopted

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in co-operatives, and whether aspects such as long-term orientation, financial conservatism, non-economic goals of members, and consistency with founding values indeed determine performance differences among co-operatives on a variety of dimensions. On the other hand, the arguments made by Hogeland also may inspire studies about governance and leadership in family firms – whether governance systems reinforce the "family" as opposed to reinforcing the notion of "serfdom" among family members – while the former may lead to solidarity and cohesion among family members, the latter may lead to disengagement with the family business, lack of interest in succession, and disintegration of family identity.

Harms, Memili, and Steeger. This paper investigated co-operation by family firms in terms of type of partners, and quality of co-operation. Furthermore, the authors measured perceptions of outsiders about co-operation, which can shed light on the environmental liability or benefit of being a family firm. The authors found that family firms seek out non-competitors more than competitors for cooperation. In addition, the results are suggestive of family firms generally favoring idiosyncratic personalized relationships with both competitors and non-competitors, and benefiting more via information exchange with their partners. Consistent with Mentil and Grabenweger's (2015) study, they found that family firms value initiatives that improve their communities, and value initiatives with local partners that improve the image and reputation of the region, e.g. as a tourist area. These findings suggest that family firms are fiercely protective of their unique identity and their idiosyncratic resources that may provide them with a competitive advantage, and yet they co-operate to absorb new knowledge (and stay relevant to their customers), as well as invest jointly to increase the value of their communities. Mentil and Grabenweger's (2015) descriptive study (described later in this paper) complements Harms, Memili, & Steeger (2015) study by showing that family firms can co-operate with their competitors by finding those with common values, while preserving a high level of discretion and uniqueness in the way these are delivered by each family firm.

Kroll, Edom, & Edur. The paper by Kroll, Edom, & Edur (2015) suggests that paradigmatic changes in the structure, governance, and ownership of cooperative activities can have a profound change on the incentives, cohesion, identity, and orientation (i.e. individual versus collective) of micro-behavior, and in some cases destroy the deeper philosophical roots and the intangible, soft structure of cooperation. In turn, these effects could lead to deterioration in performance on the very dimensions on which improvement was expected. As the mutual financial guarantee that kibbutzim relied on collapsed, they become more dependent on equity infusion via IPOs and private and public equity sources. These equity sources also changed the goals to be pursued, and the incentives of the managers. From co-operation between family businesses, run on democratic principles, the structure of the kibbutzim changed to hierarchical model of management that reduced not just the representation of the kibbutz members in management and governance, but also reduced their connections and sense of ownership with the kibbutzim. As decision-makers from different governing philosophies and values came together, goal divergence increased, leading to increased conflicts. Not surprisingly, many goals, even those around which there was a higher degree of consensus, were only marginally achieved. This paper serves as a dynamic "negative" case of the "un-cooperative" effects that can unfold when the governing logic of family ownership (trust, relational governance, long-term orientation, principal–principal behavior) is replaced by the logic of hedonistic individuals assumed to pursue their own goals that are different, and who are constantly monitored and incentivized—in other words, individuals working under a system designed to control agency costs, that paradoxically increases these costs and reduces performance.

Karhu. Karhu's (2015) position as the CEO of co-operatives in Finland gives him a unique perspective to observe conversations and discussions about cooperation in family firms. His observations in his short communication piece offer several "interesting" research questions for scholars of both cooperatives and family firms, and also ways where these two fields can, co-operate! In particular, his observations reflected areas where cooperatives have built formal structures to institutionalize cooperation. He was surprised that family business scholars are unaware of cooperative "fundamentals"—certainly, there is a lot that cooperatives may be able to teach about institutionalizing cooperation and achieving the congruence between collective and individual goals. Family businesses may rely on informal and "soft" structures for the same purpose that take shape over generations, but formal structures that cooperatives have developed may ensure cooperation till the idiosyncratic informal structures congeal within a family firm. Karhu noticed these soft structures of "trust", developed via multiple levels from "[formal] meetings to social gatherings" in family businesses. Development of trust via soft structures could complement or substitute cooperatives formal structures—and could differentiate well-functioning cooperatives from those that are just going through the motions. Karhu also wondered how the application of cooperative principles could affect business families—what will be the affect on family identity, whether there will be more conflict, whether the especially competent family members may leave, for instance. These are excellent questions to guide the development of cooperative structures within business families—safeguards built to protect from these negative outcomes could ensure that family businesses that the advantages of both cooperatives and family ownership reinforce each other rather than canceling each other out.

Mentil and Grabenweger's (2015) "Practitioner Corner" paper complements the rest of the collection very nicely. Their description of the Alpine Pearls Host program highlights how family firms can band together around values and philosophies they share and hold dear. Alpine Pearls Hosts believe in environmentally sustainable and climate-friendly tourism, and ensure that all the establishments that are part of the network adhere to standards that are decided cooperatively. In tangible terms, after clearly articulating the values that they wish to promote, the family businesses develop systems to infuse these values in their operations. In addition, they educate their customers of all ages, and show ways in which customers can enact the values in their own lives. The firms who are part of this network thus are able to have an impact much beyond their own individual scale, by multiplying their reach via other family members. By showing how specific values can be incorporated into standards, and then leveraged across the network, they also show how social attitudes can be changed via rapidly scaling up the size to potentially reach a tipping point, where new social ideas become social norms. These social norms then become part of customer expectations from the products/services. There are several distinct features of this co-operation that make it uniquely suitable for family firms. First, the first point of sharing is based on common values and philosophy. Relative to a succession of non-family owners, family firms may be more suitable in terms of ensuring continuity of these values and philosophy across generations. This could be because values and philosophy become enmeshed in a family's identity—it becomes part of how family defines itself, and the foundation of how family members feel connected to the family. Second, it must be recognized that the measure of effectiveness of the co-operation is not at the level of sharing of values, but how they are incorporated in the products and services, and delivered to the customer. If parties to the co-operation do not perform in a tangible way, the effectiveness of the entire network would be in jeopardy. Therefore, in addition to having agreement on standards, there needs to be some degree of

monitoring of each member. And here, the family firms may require lower monitoring by other members (and therefore the network may incur lower monitoring costs). This is because the family firms would be characterized by more stable and long-term tenures for managers, as well as governance systems that prize adherence to family values and guiding philosophies, as much as to other goals. Miller & Le Breton-Miller (2005) find that "family businesses foster trust by behaving especially generously, and emphasizing enduring win–win associations over impersonal, short-term transactions with employees, suppliers, and customers." For these reasons, family firms in this co-operation arrangement may be able to reduce tangible monitoring costs. Finally, starting the co-operation at the level of core values and philosophy also provides freedom to the family firms to incorporate a variety of idiosyncratic elements from their resources, history, and tradition, and enables them to deliver the common standards while preserving their individuality. In a sense, Mentil and Grabenweger's (2015) study can also be seen as an empirical example supporting Harms, Memili, and Steeger's study, which found that family firms cooperate differently, and are perceived to be better cooperators.

1. Future research

The research presented in this issue suggests a few areas of future research. The firs relates to spheres of co-operation. Firms can cooperate in different spheres as well as simultaneously in multiple spheres. Studies in this issue suggest that co-operating in the sphere of values and philosophy, developing common goals and standards based on these, and preserving discretion and individuality at the firm level may be a way to combine benefits of size, lower monitoring costs, and democratize innovation among member firms. This contrasts from the "franchising" model of co-operation, where all aspects, from vision and goals, to all aspects of operations and delivery, are centrally scripted, and member firms (i.e. the franchisees) are primarily responsible for execution. Studies in family business and cooperatives can explore the effects of co-operation in various spheres on a variety of performance outcomes, including financial, innovation, member satisfaction, regional/community development, and development of responsible and engaged membership. In particular, co-operative researchers could investigate whether co-operatives who place more emphasis on membership based on sharing common values and purpose, while respecting and sharing individual firms' innovation within the parameters of the shared values and purpose, are stronger, more dynamic, and more cohesive than co-operatives that focus on commonality of mainly economic goals and interests.

Another research direction relates to the heterogeneity of firms and cooperation. If we assume that co-operation can benefit firms, then it follows that firms that are competent in co-operating would be more successful than firms who do not develop this competency. Regardless of their preferences and predilections, family firms may need to co-operate with a wide variety of firms, including non-family firms, to accommodate a wide variety of contingencies, as they aim to preserve their longevity and retain their competitive advantage. Family firms may also vary widely on the dimension of competency in competing with a variety of firms and individuals (e.g. Niemelä, 2004). For instance, some family firms may have developed structures, recipes, routines, governance mechanisms, and tactics, to co-operate with non-family businesses of any size, and reap the benefits of such co-operation. Scholars in family business could study the characteristics of family businesses that develop such competency, and the constituent elements and processes that lead to successful co-operation between family businesses and non-family businesses.

Finally, scholars in the area of cooperatives could be more sensitive in their studies to the family businesses that could constitute the membership of cooperatives. It is likely that cooperatives have different proportions of multi-generation family businesses, as well as non-family businesses. What are the behavioral and performance implications of these composition differences? The differences in the way family businesses approach cooperation may conflict with the approach taken by non-family business members. The precise dynamic of how this unfolds can be studied further.

2. Conclusion

Both family business and cooperatives have a thriving research and practice community. By focusing attention on how family businesses cooperate, the articles in this issue inform both fields, as well as suggest the trajectory of future research in this area. In addition, the two fields could cooperate to learn from each other and develop strong, long-lived, and productive organizations, which may benefit their key internal and external stakeholders.

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Sanjay Goel *
Labotitz School of Business and Economics, University of Minnesota Duluth, Duluth, MN 55812, USA

Dietmar Roessl
Research Institute for Co-operation and Co-operatives, Vienna University of Economics and Business, Welthandelsplatz 1, 1020 Vienna, Austria

* Corresponding author.
E-mail addresses: sgoel@d.umn.edu (S. Goel), Dietmar.Roessl@wu.ac.at (D. Roessl).

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